2007 • 2008

# ANNUAL REPORT

## Industrial Technology Centre

An Agency of Manitoba Science, Technology, Energy and Mines

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Industrial Technology Centre

# MINISTER'S LETTER OF TRANSMITTAL

"Just a note of thanks and appreciation for your library services, which we have used to successfully complete our industry projects. Your library is a great resource for the industry!

Thank you!"

Alphonse Utioh
Food Development Centre

June 27, 2008

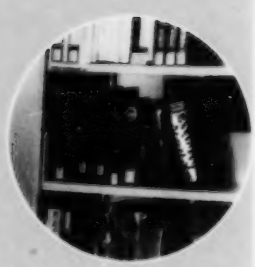
The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

Your Honour:

I have the privilege of presenting the Annual Report of the Industrial Technology Centre for the year ended March 31, 2008.

Respectfully submitted,

**Jim Rondeau**
MINISTER OF SCIENCE, TECHNOLOGY, ENERGY AND MINES



2007-2008 ANNUAL REPORT

# DEPUTY MINISTER'S LETTER OF TRANSMITTAL

June 27, 2008

Honourable Jim Rondeau
Minister Responsible for the
Industrial Technology Centre
Room 333 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister Rondeau:

I am pleased to submit for your consideration the Annual Report of the Industrial Technology Centre (ITC) for the year ended March 31, 2008.

ITC continues to build strong partnerships in the areas of research and education, and collaborate with other organizations located at Smartpark. Examples include the preliminary development of a visualization cluster in cooperation with the Manitoba Institute of Cell Biology, and the first phase of the establishment of a distributed visualization network with TRLabs. ITC also works closely with the Composites Innovation Centre by providing testing for prototype composite components.

In partnership with Science, Technology, Energy and Mines, ITC has participated in a number of "Bio" exhibitions that have provided ITC with opportunities for further expansion of its services to Manitoba's growing life sciences sector.

ITC has successfully provided technical services to a wide range of Manitoba companies, and is working closely with industry, education and government stakeholders in the implementation of the Manufacturing Sector Economic Development Plan. ITC is now developing a strategy and action plan aimed at helping companies improve their productivity by adopting advanced technologies.

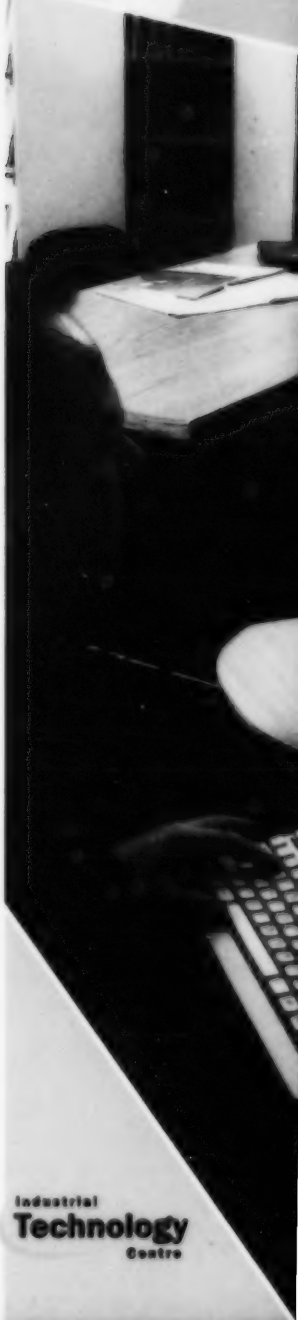
I would like to thank our Advisory Board for their continued support and commitment, and all staff for their contributions in meeting the challenges of providing services in a rapidly changing economy.

Respectfully submitted,

**John Clarkson**

DEPUTY MINISTER OF SCIENCE, TECHNOLOGY, ENERGY AND MINES

CHAIRPERSON OF THE INDUSTRIAL TECHNOLOGY CENTRE ADVISORY BOARD



# MESSAGE FROM THE CHIEF OPERATING OFFICER

"It's been helpful to have available the expertise that ITC provides, not only to perform tasks for us where we don't have the capability, but also to assist us in becoming more adept at understanding complex problems."

Engineering Client

June 27, 2008

On behalf of staff, I am very pleased to report on the achievements of the Industrial Technology Centre (ITC) for the year ended March 31, 2008.

ITC has increased its project revenues and continues to broaden its client base for engineering services. Stronger partnerships have been built with stakeholders from industry, education and government, and ITC continues to work closely with other organizations located in Smartpark.

Further capital investments have been made to enhance capabilities in noise/vibration analysis, to provide calibration of surface plates and to establish a product development equipment rental service. These acquisitions will help Manitoba manufacturers improve their new product development and productivity. The Vehicle Technology Centre has financially supported ITC to invest in services that will improve the competitiveness of the vehicle manufacturing sector.

ITC has established a Virtual Reality Applications Fund to enable organizations in the emerging knowledge-based sector to access advanced visualization capabilities. This will provide companies with opportunities to develop and demonstrate advanced digital and training products.

Our clients continue to recognize the excellent technical services that ITC provides, and report that they are very satisfied with our overall project performance and value that we bring to them. We will continue to seek opportunities to provide industry with services that will help improve their productivity.

Our success is made possible by the dedication and hard work of all our staff, the support of many stakeholders, and by the continued advice and commitment of our Advisory Board.

T. J. Cornell

**Trevor Cornell**
CHIEF OPERATING OFFICER

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# AGENCY PROFILE

## 1.1 Background

The Industrial Technology Centre (ITC) was established in 1979 and commenced operations as a Special Operating Agency (SOA) of the Province of Manitoba on April 1, 1996. ITC now operates under the authority of Manitoba Science, Technology, Energy and Mines (STEM).

The Deputy Minister of STEM chairs ITC's Advisory Board, which includes private sector representatives. The Board provides advice regarding ITC's strategic direction, structure, mandate, business practices, marketing and financial reporting requirements.

ITC provides a wide range of technical services in support of technology-based economic development in Manitoba. ITC customers include Manitoba industry, entrepreneurs, and government departments and agencies. Services are provided on a fee for service basis and under an Economic Development Contribution Agreement (EDCA). The EDCA is a performance contract with STEM to support ITC's contribution to economic development activities in Manitoba. Clients seeking specific technical assistance may be existing or start-up enterprises, and range in size from individuals to large corporations.

***ITC's services are categorized as:***

- Technical Information and Advisory Services
- Engineering
- Lottery Ticket Testing (LTT)
- Virtual Reality Centre (VRC)

The economic development contribution from the Province is used to support technical information and advice, library services, and infrastructure for testing, product development, and the Virtual Reality Centre. These services support SMEs (small and medium-sized enterprises) that have limited R&D resources.

As an agency of the Province of Manitoba, any disclosures of wrongdoing received by ITC pursuant to The Public Interest Disclosure (Whistleblower Protection) Act will be reported in the annual report of STEM. For further information, please refer to the 2007/08 annual report of Manitoba Science, Technology, Energy and Mines.

## 1.2 Vision, Mission and Goals

ITC'S VISION IS...

*" To be recognized as the best resource for solving technical issues for the benefit of Manitoba."*

ITC'S MISSION IS...

*" As a team and in partnership with our customers, we are committed to provide creative technical solutions for the economic development of Manitoba."*

ITC'S GOALS, essential to fulfillment of its mission, are as follows:

- To help our clients anticipate, identify and apply appropriate technologies
- To support and contribute to economic development in Manitoba
- To sustain and enhance client relationships by providing high-quality, valued technical services
- To cultivate a work environment that promotes employee achievement, creativity, initiative and growth.

# AGENCY PROFILE

"It has been a pleasure to work with the Industrial Technology Centre in their efforts to assist manufacturing companies in Manitoba. Most recently, we were able to partner with ITC in developing a program for leasing high-technology equipment to local companies for use in new product development."

Barry Mitchell
Executive Director
Vehicle Technology Centre Inc.

## Service Lines

### Technical Information and Advisory Services

ITC plays an important economic development role in Manitoba by providing technical advice and assistance to Manitoba industry, entrepreneurs and government departments and agencies. ITC is recognized as a critical part of the technical infrastructure required to help individuals and companies increase their competitiveness by developing new or improved products and processes. All ITC's technical staff provide technical information and advisory services (Technology Transfer) on an as requested basis.

ITC helps clients to define and understand technical issues, to develop methods of solving technical problems and frequently assists in the implementation of solutions. In support of these activities, ITC uses its network of contacts and experts across Canada for technical advice and assistance that may not be available in Manitoba.

ITC has a technical library that provides crucial information and support to ITC staff and clients. The library houses a comprehensive collection of books, journals and reports in areas such as manufacturing, product and process engineering and materials. ITC also has access to many worldwide databases, and has public Internet access for clients to source technical data.

ITC continues to enhance its library collection both physically and electronically while providing current technology awareness through our e-publications and relevant information sessions and workshops.

***Customers include inventors, entrepreneurs, and companies in most industrial sectors in Manitoba. Easy access for the public, on-line links to international databases and skilled staff make ITC's library an invaluable resource.***

### Engineering

#### MECHANICAL TESTING

Mechanical Testing services are categorized as either Standard or Custom, defined as:

***Standard Testing:*** Those tests that may be described as routine and undertaken (or priced) on a per sample basis. Tests include the measurement of such properties as hardness, impact resistance and strength. The Materials Testing Laboratory has been granted accreditation by the Standards Council of Canada (SCC) for specific tests, which is recognition of ITC's high standard of competence and credibility.

***Custom Testing:*** Testing for which there may be no defined standard. ITC staff will help the client determine what properties or parameters are to be tested, and will identify or develop appropriate procedures to meet testing requirements. Examples include:

- Testing products or materials when no industry standard exists
- Testing components in their service environment

#### DIMENSIONAL CALIBRATION

ITC is the only facility in Western Canada to offer accredited dimensional calibration services. The Calibration Laboratory Assessment Service (CLAS), jointly administered by the SCC and the National Research Council (NRC), has accredited and certified our calibration laboratory's technical capabilities and quality program.

Calibration services include the dimensional calibration of gauge blocks, micrometers, calipers, thread wires, thread plugs, thread rings, plain ring and plug gauges, discs, pins, snap gauges, length and height standards, and dial gauges, as well as pressure gauges up to 10,000 psi.

# AGENCY PROFILE

ITC's inspection capabilities include a Numerex coordinate measurement machine (CMM) and a FaroArm portable multi-axis measurement arm. Inspection services include detailed physical inspection of parts, comparison of components to CAD drawings and specifications, reverse engineering of assemblies, and part-to-part comparisons.

ITC's advanced modelling and analytical software allows us to undertake a wide range of design activities. This includes the 3D design of components and complex assemblies, structural analysis of both linear and nonlinear systems, as well as composite materials, and prediction of a system's vibration response to dynamic input forces. Prototypes are manufactured at ITC, or if required, in cooperation with local machine shops.

ITC provides solutions to automate data collection and control processes using National Instruments hardware and LabView software.

ITC can identify and analyze excessive noise problems in products, structures and the workplace and develop noise control solutions. ITC offers comprehensive measurement services, using advanced skills and tools such as Brüel & Kjær's PULSE system for noise and vibration analysis. We also perform building acoustic studies, and environmental assessments of noise levels using SoundPLAN noise modelling software.

We help determine the causes of excessive vibration in equipment and structures and identify remediation measures. This service is valuable for product testing, equipment balancing, acceptance testing for compliance to vibration tolerance limits, and measurement and analysis of vibration from hand tools and other devices.

***The market for Engineering services is primarily manufacturing companies in Manitoba. SCC and CLAS accreditations, ISO 9001 registration, and rapid turnaround times are distinct competitive advantages.***

## Lottery Ticket Testing (LTT)

Lottery Ticket Testing provides security and quality assurance evaluations of instant scratch off and break open lottery tickets, customized research programs to assist lotteries in evaluating new products and technologies, and evaluations of questioned documents.

***Services are provided to lottery jurisdictions in Canada and internationally. ITC is the sole commercial Canadian laboratory providing these services.***

## Virtual Reality Centre (VRC)

The Virtual Reality Centre is a state-of-the-art facility that uses virtual modelling technology to facilitate improved:

- Product design and development, process re-engineering, urban planning, and architectural design
- Product marketing
- Development of software for specific scientific and engineering applications including life sciences and digital media

***The VRC is the only one of its kind in Canada that has been established to address industry and research needs on a fee for service basis. The Centre is designed to provide access to technologies that will enable companies to attain a competitive advantage in global markets.***

Industrial Technology Centre

"Loewen Research and Product Development staff has noted that Betty has exhibited top-notch professionalism when assisting Loewen with technical research. She is knowledgeable and has displayed excellent customer-service attitude."

Al Stadnyk
Research & Product Development
Loewen

## New Services

In response to changing client needs and emerging technology, ITC has implemented the following new services and capabilities:

When measuring large parts for quality assurance, flat surface plates are used for dimensional reference. These surfaces need to be measured and adjusted on-site to ensure that they are flat to within industry standard tolerances. With no local source available to do this calibration, companies are forced to endure long lead times and costly expense to bring out-of-province service providers on-site. ITC has developed the capability to perform these calibrations and offer them in a more time-flexible and cost-effective manner.

In the course of product development, physical measurements of parameters such as deflection, acceleration, temperature, pressure, load or sound are often required for troubleshooting or product validation. These parameters are of critical interest to the vehicle manufacturing community. For most companies, this need is too infrequent and variable to justify investment in all the required transducers and meters. The ability to rent equipment for the short time it is required is a far more efficient and sustainable solution. ITC has established a rental service for a variety of equipment to meet these needs.

Products are designed to withstand a given set of environmental conditions in terms of temperature, humidity and corrosion. The ability to quickly test various configurations of materials or designs against these harsh elements is critical to meeting product development timelines and ensuring the product will meet its expected life. ITC has expanded its capability to meet a wider range of testing criteria required by the aerospace, vehicle, furniture and electronics sectors.

The Virtual Reality Centre is implementing new equipment and software that can generate 3-dimensional graphic images, which may be relayed by a high-speed link back to off-site users. This remote-site capability will make the Virtual Reality Centre's services more accessible and cost-effective to Manitoba industry, educational and research organizations.

## Strategic Outlook

ITC facilitates partnerships between industry, government, academia and other organizations to undertake applied research, development and technology commercialization projects for the benefit of Manitoba.

ITC is undertaking a review of its services and operations to ensure that they are meeting the changing needs of Manitoba industry. ITC will focus on sectors that include advanced manufacturing, life sciences and emerging technology.

Stakeholders from industry, academia and government have collaborated in the creation of a Manufacturing Sector Economic Development Plan (MSEDP). This initiative outlines recommendations aimed at improving the productivity and competitiveness of Manitoba manufacturers. ITC will develop and support program activities that may arise from this plan, which are related to the implementation of advanced technologies.

## Sector Highlights

***ITC made a significant impact in many different sectors during FY 2007/2008. Some sample projects are highlighted below***

### Aerospace

Calibration, inspection, material testing, and specialized data acquisition support our clients' quality control systems, and contribute to improved design and safety.

- Testing new composite materials
- Environmental testing of robotic arm
- Ongoing dimensional calibration for several aerospace clients

### Agribusiness and Food

Material testing, data acquisition, technical information and machine design services result in the development of innovative products.

- Hydraulic cylinder testing
- Functional analysis of reservoir tank
- Corrosion testing

### Building, Architecture and Construction

Noise and vibration analysis, and material testing improve design and enable prevention or remediation of problems.

- Assessed condominium construction methods
- Modelled the environmental noise impact of a proposed refurbishment at a hydroelectric dam site
- Monitored vibration at a pool complex during pile driving

### Environment and Resources

Material testing, finite element analysis, technical information and noise control services improve equipment and processes used in the resource sector, and remediate noise problems.

- Designed and distributed the Manitoba BioEnergy Technology News
- Provided research into lighting options for an Innoventures Canada (I-CAN) project to develop a proposed system that would use algae for biosequestration of $CO_2$ emissions from industrial facilities
- Analyzed underground drill frame

Industrial Technology Centre

# PERFORMANCE REVIEW

"Thank you for showing us your Virtual Reality Centre and its capabilities during the tours. My students and I really enjoyed your insightful presentation, which clearly shows the links between Computer Aided Engineering theories and their real-world applications. The tours greatly enhanced the students' learning experience."

Quang Le, CET
Sectional Instructor
Department of Mechanical and Manufacturing Engineering
University of Manitoba

## General Manufacturing

All engineering services support clients' quality systems, improve products and processes, enhance productivity, and foster the adoption of advanced technology.

- Adhesive testing on a window frame
- Evaluated the design of a cargo carrier
- Dimensional analysis of gearboxes for a steel blade manufacturer
- On-site material testing for a steel structure fabricator
- Environmental testing of an electronic product
- Diagnosed vibration problems of a hovercraft driveline

## Health

Product development, inspection and visualization services improve the design of equipment and processes used in the health sector.

- Dimensional analysis of components for an MRI surgery table
- Continued to work with the Manitoba Institute of Cell Biology to pilot the Manitoba Visualization Network to enable research collaboration across MRNet
- Commenced development of virtual reality based laboratory training tool
- Developed various visualization models for the life sciences sector

## Public Infrastructure

Engineering, VRC and information services help support public infrastructure through improved design.

- Proof load testing of gravel box lifting device
- Dimensional inspection of processing equipment component

## Transportation

Custom data acquisition, dimensional calibration and inspection, material testing, and noise control services support clients' quality systems, evaluate components, and improve products and processes.

- Measured interior and exterior noise on buses during road testing to ensure specifications are met
- Vibration measurement of an engine-mounted air cylinder assembly
- Conducted bus window "push-out" tests
- Reverse engineering of brake drums and other automotive components
- Dimensional inspection of a seal ring bushing
- Dimensional inspection of alignment rods
- Cyclic corrosion testing to help select the right material for long-term durability
- Road strain testing on prototype trailer

# PERFORMANCE REVIEW

## Wood Products

Material and product testing services support product improvement.

- Tip testing of dressers
- Load testing of cabinet joints

## Partnerships in Research and Development

- Participating as a member of the Innoventures Canada (I-CAN) network, along with other provincial research organizations across Canada. I-CAN is a "virtual network" providing companies access to specialized facilities and expertise for technology development
- Participating in the implementation of the Manufacturing Sector Economic Development Plan (MSEDP)
- Provided technical information services to a variety of Manitoba industrial sectors
- Collaborated with the University of Manitoba on a graduate student's visualization research project
- Presented paper on environmental noise issues at Alberta Noise Conference
- Participated at several "Bio" exhibitions in collaboration with STEM
- Announced the establishment of the Virtual Reality Applications Fund

## Training, Skill Development and Technology Awareness

- Delivered technology awareness sessions/ workshops, including:
  - "Where is That Sound Coming From?"
  - "Leveraging Past Product Performance Knowledge"
  - "Stress Analysis and Finite Element Modelling"
  - Seminar on hybrid vehicles
- As part of ITC's Library and Technical Information Services, produced monthly issues of the Innovation & Technology Watch, the Advanced Manufacturing News, and the Manitoba BioEnergy Technology News

Industrial Technology Centre

"ITC helped reduce energy costs through better processes that improve turnaround."

Client Survey Response

## Results

STEM supports ITC for its economic development activities under the Economic Development Contribution Agreement (EDCA). In accordance with specified performance areas, customer and economic development impacts are measured using in-depth interviews with representative clients.

---

***Economic Development***

To support and contribute to economic development in Manitoba

***Customer***

To sustain and enhance client relationships by providing high-quality, valued technical services

***Operations***

To identify and apply appropriate technologies

***Learning and Growth***

To cultivate a work environment that promotes employee achievement, creativity, initiative and growth

***Financial***

To continue to demonstrate sound financial management

### Economic Development

***ITC clients reported the following impacts in FY 2007/2008:***

---

***New Jobs Created*** ..... 14

***Jobs Saved/Maintained*** ..... 1,031

*The total of 1,045 jobs created or saved represents $42.4 million in wages based on an average annual manufacturing salary of $40,560 (October 2007, Manitoba Bureau of Statistics).*

***Sales Increase*** ..... $1.3 million

***Sales Maintained*** ..... $7.3 million

***Cost Savings Identified*** ..... $3.0 million

***Investment Increases*** ..... $1.2 million

***Influence on Client Objectives*** ..... 97%
of respondents reported that ITC had a positive impact on their organization.

These results are compiled from 68 client responses. No attempt has been made to extrapolate the impacts for ITC's entire project client base (approximately 300 clients).

#### Total Impacts

| | |
|---|---|
| Jobs created or saved | 7,578 |
| Increased/maintained sales | $80.3 |
| Increased investment | $103.3 |
| Cost savings | $33.8 |

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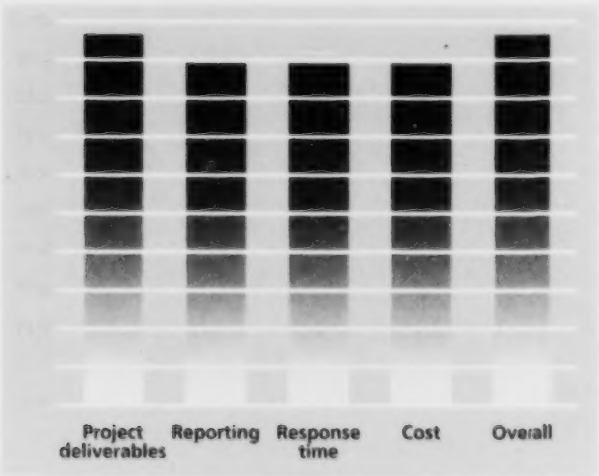
# PERFORMANCE REVIEW

## Customer

ITC maintains a system for capturing specific client satisfaction and other information, and results indicate very high satisfaction with our overall project performance.

| Service category | Customer satisfaction target (FY 07/08) | Customer satisfaction result |
|---|---|---|
| Technical Information and Advice | 90% | 100% of clients surveyed in the economic impacts study reported a positive impact at their organization |
| Engineering | 90% | 97% of clients surveyed in the economic impacts study reported a positive impact at their organization. Latest phone surveys (27 Engineering clients, December 2007) indicate an overall satisfaction rate of 96.3% |
| Lottery Ticket Testing | 90% | 100% based on discussion with lottery clients |
| Virtual Reality Centre | 90% | 100% based on discussion with research partners |

### Client Satisfaction Results




***ITC's customer base consists of the following:***

### Customer Profile


SMEs (small and medium-sized enterprises) include manufacturers with fewer than 50 employees, consulting engineers, small service organizations and individual entrepreneurs.

Industrial Technology Centre

# PERFORMANCE REVIEW

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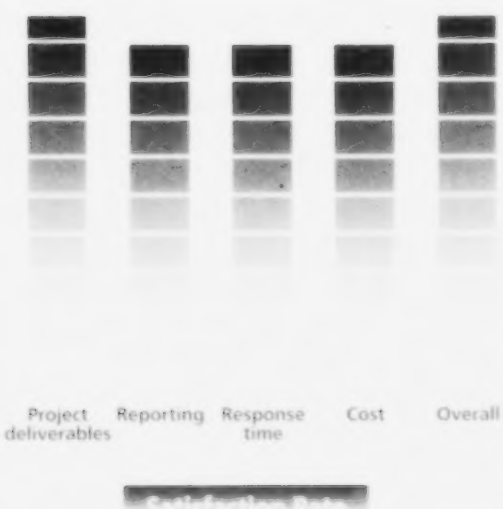
### Client Satisfaction Results

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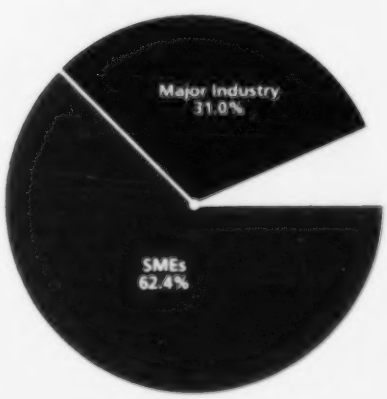
### Customer Profile

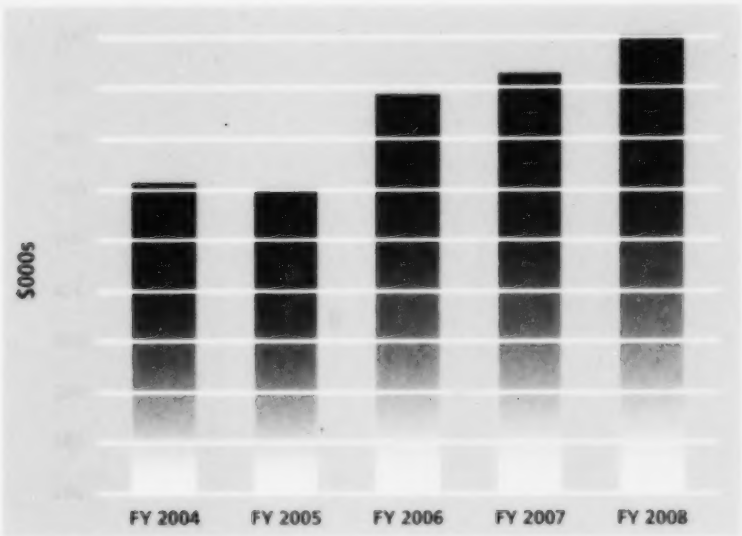



SMEs (small and medium-sized enterprises) include manufacturers with fewer than 50 employees, consulting engineers, small service organizations and individual entrepreneurs.

Industrial **Technology** Centre

# PERFORMANCE REVIEW

***The client revenue for Engineering has increased over the last 5 years as indicated by the following chart:***




ITC management continues to meet with target sector clients to help determine their technical needs and how ITC services may support them.

## Operations

***ITC continues to maintain ISO 9001 registration, with the following quality policy:***

*" The Industrial Technology Centre (ITC) will provide cost-effective, value-added technical services which will meet the commitments made to its customers."*

***Operational activities for the year included:***

- Assisted in the ongoing implementation of the Advanced Manufacturing Initiative (AMI) and Manufacturing Sector Economic Development Plan (MSEDP) in collaboration with the Canadian Manufacturers and Exporters (CME).
- Continued to build relationships and partnerships with organizations including:
  - Canadian Manufacturers and Exporters (CME)
  - Composites Innovation Centre (CIC)
  - Innoventures Canada (I-CAN)
  - National Research Council – Industrial Research Assistance Program (NRC-IRAP)
  - University of Manitoba
  - Vehicle Technology Centre (VTC)
- Continued to review and develop services to match industry needs
- Implemented capital plan
- Implemented computer system improvements
- Maintained quality systems
  - CLAS (Calibration Laboratory Assessment Service)
  - SCC (Standards Council of Canada)
  - ISO 9001:2000

## Learning and Growth

Learning and growth activities for the year included:

- Undertook the following training activities:
  - Received training in upgraded "PULSE" system
  - Attended 2007 NAFEMS World Congress
  - Attended "Innovation & Productivity Improvement: A Forum for Manufacturing Leaders"
  - Attended various technical workshops and information sessions
  - Installed upgrade to modelling and analysis software (Unigraphics NX5)
- Continued employee performance evaluations
- ITC continues to review employee recognition program

# PERFORMANCE REVIEW

## Financial

ITC has now completed its twelfth year of operation as an SOA, with financial results showing a small net loss. As compared to the prior year, fee for service was up significantly with increased project activity in Engineering, Lottery Ticket Testing, and the Virtual Reality Centre. The increase in salaries reflects the implementation of a general salary increase during the year to match the Provincial agreement.

| ($000s) | Current Year | Prior Year | Variance to Prior Year |
|---|---|---|---|
| Province of Manitoba | 750 | 750 | – |
| Fee for service | 1,656 | 1,469 | 187 |
| Other | 134 | 141 | (7) |
| Total revenue | 2,540 | 2,360 | 180 |
| Salaries and benefits | 1,516 | 1,473 | 43 |
| Other operating expenses | 1,030 | 1,023 | 7 |
| Total operating expenses | 2,546 | 2,496 | 50 |
| **Net income (loss)** | **(6)** | **(136)** | **130** |

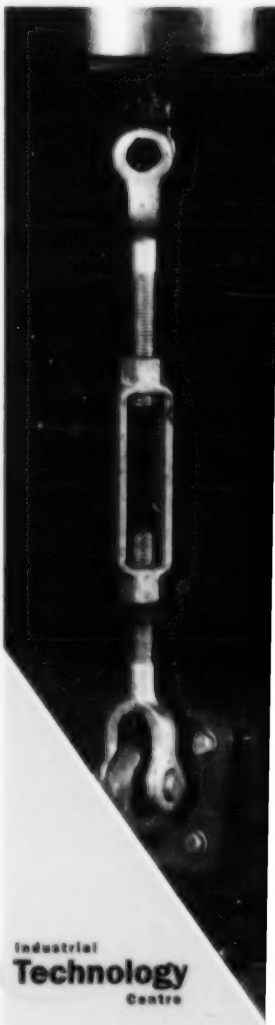
With the strong fee for service revenue results, we were able to increase the ratio of fee for service revenue to salaries. This demonstrates a high utilization of resources at ITC due to continued solid demand for project work.

Fee for Service Revenue vs Salaries


Significant variations in other operating costs consisted of increases in project costs (related to increased fee for service work), and lease costs. Significant decreases consisted of amortization (to reflect completed amortization of computer equipment), Library operations (reflecting ASTM standards acquired in the prior year, and fewer seminars conducted this year), and professional development (the prior year included training in the upgraded noise and vibration system).

ITC has focused efforts on expanding client reach and project opportunities, and is closely monitoring expenditures.

**The results given in this annual report for FY 2007/2008 indicate that ITC has continued to demonstrate sound management, and has achieved recognition for the value and impact of its economic development activities.**



# MANAGEMENT REPORT

"ITC's involvement has helped us get more research and development work done."

Client Survey Response

May 30, 2008

The accompanying financial statements of the Industrial Technology Centre (ITC) are the responsibility of management and have been prepared by ITC in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to May 30, 2008.

Management maintains internal controls designed to indicate responsibility, provide reasonable assurance of the reliability and accuracy of the financial statements, and properly safeguard ITC's assets.

The responsibility of the external audit is to express an independent, professional opinion lending assurance and objectivity as to whether the financial statements of ITC are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report outlines the scope of the audit examination and provides the audit opinion.

On behalf of management,

**Trevor Cornell**
CHIEF OPERATING OFFICER

**David Olafson**
MANAGER, CORPORATE SERVICES

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# AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the **Industrial Technology Centre** as at March 31, 2008 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

**Chartered Accountants**

WINNIPEG, MANITOBA
MAY 30, 2008

# FINANCIAL STATEMENTS

## Balance Sheet IN THOUSANDS

| | 2008 | 2007 |
|---|---|---|
| **ASSETS** | | |
| Current | | |
| Cash and funds on deposit with Minister of Finance net of working capital advance (note 3) | $ 176 | $ 41 |
| Accounts receivable | 458 | 327 |
| Due from Province of Manitoba (note 4) | 103 | – |
| Prepaid expenses | 16 | 20 |
| | 753 | 388 |
| Due from Province of Manitoba (note 4) | – | 103 |
| Capital assets (notes 2 and 5) | 633 | 660 |
| | $ 1,386 | $ 1,151 |
| **LIABILITIES** | | |
| Current | | |
| Accounts payable and accrued liabilities | $ 637 | $ 443 |
| Deferred revenue | 36 | 5 |
| | 673 | 448 |
| Severance liability (note 6) | 229 | 213 |
| | 902 | 661 |
| **EQUITY** | | |
| Contributed equity (note 7) | 62 | 62 |
| Retained earnings | 422 | 428 |
| | 484 | 490 |
| | $ 1,386 | $ 1,151 |

*The accompanying notes are an integral part of these financial statements.*

# FINANCIAL STATEMENTS

## Statement of Earnings and Retained Earnings IN THOUSANDS

| | 2008 | 2007 |
|---|---|---|
| **REVENUE** | | |
| Province of Manitoba | $ 750 | $ 750 |
| Fee for service | 1,656 | 1,469 |
| Other | 134 | 141 |
| | 2,540 | 2,360 |
| **OPERATING EXPENSES** | | |
| Advertising and promotion | 68 | 65 |
| Amortization | 131 | 170 |
| Audit and legal | 8 | 7 |
| Bad debts | – | 1 |
| Building maintenance | 48 | 39 |
| Computer | 44 | 44 |
| Equipment | 59 | 69 |
| Fees and memberships | 24 | 30 |
| Insurance | 40 | 42 |
| Library operations | 12 | 32 |
| Office | 48 | 49 |
| Professional development | 20 | 39 |
| Project supplies and subcontract | 125 | 56 |
| Purchased services | 4 | 4 |
| Rent and property tax | 310 | 296 |
| Salaries and benefits | 1,516 | 1,473 |
| Travel | 36 | 29 |
| Utilities | 53 | 51 |
| | 2,546 | 2,496 |
| Net earnings (loss) | (6) | (136) |
| Retained earnings at beginning of period | 428 | 564 |
| Retained earnings at end of period | $ 422 | $ 428 |

*The accompanying notes are an integral part of these financial statements.*

# FINANCIAL STATEMENTS

## Statement of Cash Flow IN THOUSANDS

| Cash derived from (applied to): | 2008 | 2007 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net earnings (loss) | $ (6) | $ (136) |
| Items not involving cash | | |
| Amortization | 131 | 170 |
| | 125 | 34 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (131) | (129) |
| Prepaid expenses | 4 | 21 |
| Accounts payable and accrued liabilities | 194 | 192 |
| Deferred revenue | 31 | 1 |
| Severance liability | 16 | 15 |
| | 239 | 134 |
| **INVESTING ACTIVITIES** | | |
| Acquisition of capital assets | (104) | (93) |
| Net increase (decrease) in cash and cash equivalents | 135 | 41 |
| Cash and cash equivalents at beginning of period | 41 | – |
| Cash and cash equivalents at end of period | $ 176 | $ 41 |
| Represented by: | | |
| Cash and bank | $ 21 | $ 23 |
| Funds on deposit with the Minister of Finance | 155 | 18 |
| | $ 176 | $ 41 |
| Interest revenue included in cash flow from operating activities | $ 7 | $ 5 |

*The accompanying notes are an integral part of these financial statements.*

# FINANCIAL STATEMENTS

## Notes to Financial Statements - IN THOUSANDS

### 1 Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors.

Effective April 1, 1996, ITC was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Science, Technology, Energy and Mines under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances ITC through working capital advances. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister of Science, Technology, Energy and Mines assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Science, Technology, Energy and Mines defines expected public policy benefits generated from ITC's operations.

ITC has full delegated authority for all administrative, financial and operational matters. This delegation is subject to any limitations, restrictions, conditions and requirements imposed by legislation or by the Minister.

### 2 Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Effective April 1, 2007 the Industrial Technology Centre adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1506, *Accounting Changes*

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Industrial Technology Centre's financial statements for the year ended March 31, 2008.

Section 1530, *Comprehensive Income*

Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Industrial Technology Centre has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Industrial Technology Centre has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, *Financial Instruments – Recognition and Measurement*

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications.

Industrial Technology Centre

# FINANCIAL STATEMENTS

## Notes to Financial Statements IN THOUSANDS

Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Agency is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Industrial Technology Centre has designated its financial instruments as follows:

- Cash and funds on deposit are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.
- Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.
- Accounts payable, accrued liabilities and long-term debt are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.
- The adoption of this revised standard had no material impact on the Industrial Technology Centre's financial statements for the year ended March 31, 2008.

Capital assets are recorded at cost. Amortization, intended to write off the assets over their estimated useful lives, is recorded at the following annual rates and methods:

***Furniture and fixtures***
- 20%, declining balance

***Office and laboratory equipment***
- 20%, declining balance

***Computer equipment and software***
- 20%, straight-line

***Leasehold improvements***
- 10%, straight-line

Non-repayable government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets.

The Industrial Technology Centre's financial instruments consist of cash, funds on deposit, accounts receivable, and accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

Province of Manitoba funding is recognized over the term for which it applies. Fees for service are recognized as the service is performed.

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has also issued a new standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted affective April 1, 2008, will only require additional disclosures in the financial statements.

# FINANCIAL STATEMENTS

**Notes to Financial Statements** - IN THOUSANDS

## 3 Working Capital Advance

The Agency has an authorized line of working capital advances up to a maximum of $300. As at March 31, 2008 working capital advances were nil (2007 – nil). The line bears interest at prime less 1% and is not secured by specific assets.

## 4 Due from Province of Manitoba

The Province has accepted responsibility for the severance benefits accumulated by ITC's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $103 was completely offset by a receivable from the Province. The Province of Manitoba has confirmed that it intends to pay in full the March 31, 2008 receivable balance related to prior years' funding for the severance pay liability. This payment will be placed in an interest-bearing trust account on March 31, 2009 to be held on the Agency's behalf until the cash is required to discharge the related liability. Accordingly, this receivable is classified as current.

## 6 Severance Pay Benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Industrial Technology Centre's actuarially determined net liability for accounting purposes as at March 31, 2008 was $229 (2007 - $213). Commencing in the 2006 fiscal year the actuarial gain of $76 is being amortized over the 15-year expected average remaining service life of the employee group.

## 5 Capital Assets

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Furniture and fixtures | $ 10 | $ 6 | $ 10 | $ 4 |
| Office and laboratory equipment | 1,043 | 713 | 955 | 651 |
| Computer equipment and software | 664 | 521 | 657 | 473 |
| Leasehold improvements | 200 | 44 | 191 | 25 |
| | $ 1,917 | $ 1,284 | $ 1,813 | $ 1,153 |
| **Net book value** | **$ 633** | | **$ 660** | |

The Agency has entered into an agreement with the Vehicle Technology Centre (VTC) whereby the purchase of capital assets with a value of $291 would be paid for by VTC, with no specified repayment terms. The assistance to be received is currently in Accounts Receivable and offset against the asset value.

Industrial Technology Centre

## Notes to Financial Statements - IN THOUSANDS

### 7 Contributed Equity

A Transfer Agreement between the Special Operating Agencies Financing Authority (SOAFA) and Manitoba effected a transfer of capital assets, current assets and current liabilities from Manitoba to SOAFA as at March 31, 1996. Net assets in the amount of $124 were transferred to continue the operations of ITC. ITC has repaid SOAFA the debt portion of $62 (50% of the value of the net assets) and recorded the remaining $62 (50% of the value of the net assets) as Manitoba's equity in SOAFA as related to the Agency's operations.

### 8 Commitment

The Agency has entered into a lease agreement for the rental of a building at Smartpark, with space of 24,118 square feet. Of this space, ITC occupies 19,032 square feet, with 5,086 square feet being sublet to the Composites Innovation Centre (CIC). Occupancy costs pertaining to the CIC will be recoverable from them. This ten-year lease requires lease payments as follows:

| | ITC | CIC | Total |
|---|---|---|---|
| FY 2008/09 | 184 | 49 | 233 |
| FY 2009/10-FY 2014/15 (per year) | 189 | 51 | 240 |
| FY 2015/16 (7 mos) | 110 | 30 | 140 |

### 9 Pension Benefits

In accordance with the provisions of the Civil Service Superannuation Act, employees of the Centre are eligible for pension benefits under the Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires the Centre to contribute an amount equal to the employee's contribution to the Fund for current services. The amount contributed and expense by the Centre for 2008 is $75 (2007 - $71).

The Centre has no further liability associated with the annual cost of pension benefits earned by the Centre's employees.

### 10 Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

### 11 Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

### PUBLIC SECTOR COMPENSATION

Pursuant to The Public Sector Compensation Disclosure Act, employees of ITC who have received compensation of $50 or more, including benefits and severance payments, in the year ended March 31, 2008, are disclosed in Volume 2 of the Public Accounts of the Province of Manitoba.

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